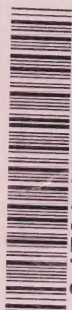


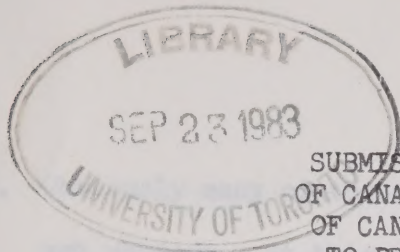
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Submission on behalf of the
Association of Canadian Advert-
isers, and the Institute of
Canadian Advertising, with
reference to proposed broadcast-
ing regulations

April 1, 1970Government
PublicationsCAI
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SUBMISSION ON BEHALF OF THE ASSOCIATION
OF CANADIAN ADVERTISERS, AND THE INSTITUTE
OF CANADIAN ADVERTISING, WITH REFERENCE
TO PROPOSED BROADCASTING REGULATIONS.

1. The Association of Canadian Advertisers Inc. is a non-profit service organization founded over fifty years ago. Its membership comprises over one hundred and ninety Canadian advertisers whose combined budgets form approximately 75% of the total amount spent on national advertising. The Association provides the focal point for the views of national advertisers. It works actively with other industry organizations and government to promote the highest standards of advertising practise.
2. The Institute of Canadian Advertising represents fifty of Canada's major advertising agencies who are together responsible for placing 85% of all national advertising in Canadian media.
3. ACA and ICA have together established a Joint Broadcasting Committee which, for more than twenty years, has provided a permanent mechanism for liaison with broadcasters, regulatory authorities, performing unions and other groups concerned with broadcast advertising.
4. Our comments are directed to the Commission's February 12th proposals as they apply to English language television in particular. We propose to discuss two principal areas of concern:
 - (a) The effects of an increased requirement of Canadian origination on audience levels.
 - (b) The effects of the proposed changes in advertising content on the effectiveness of our use of the medium.

5. Obviously many of the specific effects of the proposed regulations are as yet unknown. At this point in time we can simply offer the views of the advertising industry on one basic question - "What will be the effect of the proposed regulations on our ability to advertise efficiently and effectively in television?" If the regulations, in our opinion, do affect our view of the medium detrimentally and therefore lessen our allocation of advertising dollars to it, then we believe it is our responsibility to tell the Commission the facts on which we base such an opinion.

SECTION A

Television Programming - The Advertiser's View

6. We are in business to sell goods and services. One of the tools of marketing is advertising. We hold no brief for any one medium in telling the public about our products and services. We select individual media - television, radio, newspapers, radio, magazines, outdoor or car cards - on their capacity to communicate with our potential customers both effectively and efficiently. Effective in that they will receive our message and understand it; efficient in that we can accomplish that communication at less cost in Medium A vs. Medium B.
7. Having decided to use a particular medium, we must optimize the return on our investment. With television we must decide which programs can deliver the greatest number of potential customers to us with a satisfactory environment for our commercials. In current situations we make these decisions using judgment and audience research (not simply ratings).

In future situations we can use only judgment. Judgment in this instance involves a projection of what may happen in the future based on what has happened in similar situations in the past.

8. We should make it quite clear that advertisers can be expected to support actively programming of any origin which is accepted enthusiastically by the public. All other things being equal, we would prefer to sponsor Canadian programs.
9. The Canadian advertising industry is currently deeply concerned about the popularity of the new Canadian programming that would be produced under the proposed regulations. Current statistical evidence shows that Canadian programs traditionally have not enjoyed nearly as large an audience as American programs. There are some notable exceptions, such as Hockey Night in Canada, Front Page Challenge, Pig 'n' Whistle, and it's worth noting that none of these programs has lacked for advertising support. If the programs attract audiences, advertising support will follow. If they don't attract audience support, neither will they attract advertising support.

Analysis of network audience data (BBM, November 1969 and January 1970) shows that current Canadian programming attracts, on average, an audience some 20% below that commanded by imported programs. It is clear that unless the new Canadian programming achieves a significant increase in viewer appeal, implementation of the Commission's proposals will result in erosion of audience levels. Moreover, the erosion will occur on Canadian stations.

In future editions we can use only program. Judgment in this instance involves a projection of what may happen in the future based on what has happened in similar situations in the past.

It should also be noted that advertising can be expected to support actively programming of any origin which is accepted enthusiastically by the public. All other things being equal, we would expect to sponsor Canadian programs.

The Canadian advertising industry is currently deeply concerned about the possibility of the new Canadian program that would be required under the proposed regulations. Current advertising agencies in the Canadian market are traditionally, and have been for many years, as American programs. Therefore, the new regulations, and its worth noting in Canada, Front Page Challenge, etc. etc. etc., and its worth noting that none of these programs has looked for advertising support. If the program attract audience, advertising support will follow. If they don't attract audience support, neither will they attract advertising support.

Analysis of network audience data (CMA, November 1969 and January 1970) shows that current Canadian programming attracts, on average, no audience and that this is accounted for largely by the fact that unless the new Canadian programming achieves a significant increase in viewer appeal, implementation of the Commission's proposals will result in a serious of audience levels. Moreover, the revenue will come on

10. Here is a specific example from recent experience.

The apogee of time periods has always been considered to be the 8:00 - 10:00 p.m. period Sundays. At this time, the highest number of TV sets are in use. During the 1968/69 TV season, the CBC scheduled Ed Sullivan from 8:00 - 9:00 p.m. and Bonanza from 9:00 - 10:00 p.m. This season Bonanza was replaced by CBC's showcase series of original and expensive Canadian drama and variety. The result was not only a significant loss of audience to the CBC but to Canadian stations. Consumers of television looked south to the border station where it was possible still to find the program they preferred to see - Bonanza. The following table and exhibit explain this flow of audience:

TABLE I

Toronto Share of Audience Change - Adults 18+

Station	1968/69		1969/70		Share Change 1969/70 vs. 1968/69
	Program	Share	Program	Share	
CBLT	Bonanza	24	Sunday at Nine	13	-11 pts.
CFTO	W5	12	W5	14	+ 2 pts.
CHCH	Movie	<u>15</u>	Movie	<u>16</u>	<u>+ 1 pts.</u>
Total Canadian		51		43	- 8 pts.
WBEN	Smothers Bros.	18	Uggams/Campbell	18	-
WGR	Bonanza	10	Bonanza	19	+ 9 pts.
WKBW	Movie	<u>21</u>	Movie	<u>20</u>	<u>- 1 pts.</u>
Total U.S.		49		57	+ 8 pts.

Source: BBM - average November and January surveys for each year.

CBC's audience dropped by some 47%. CTV's W5, another Canadian program, may have picked up some part of this audience but the majority followed Bonanza across the border boosting WGR's audience by over 90%.

What happened where no U.S. stations are available? Let's look at Edmonton - an isolated two-station market.

TABLE II

Edmonton - % Adults Tuned					
Station	1968/69		1969/70		Change 1969/70 vs. 1968/69
	Program	% Adults Tuned	Program	% Adults Tuned	
CBXT	Bonanza	37	Sunday at Nine	16	-21
CFRN	W5	<u>15</u>	W5	<u>25</u>	<u>+10</u>
Total		52		41	-11

This data shows not only the same drastic loss of audience for the CBC in the time period, but more significantly the loss of audience generally for the time period where there is no alternate viewing available.

It is important, in discussing these two examples, to note that the CBC's Sunday at Nine series was well received by advertisers when it was originally offered for sale. Half a dozen of the major Canadian television advertisers signed long term contracts for the season. The Commission may well enquire of the CBC what its revenue projections for the time period may be if the program is again offered for sale in the forthcoming season.

11. We are particularly concerned about audience loss in markets bordering on the U.S. Canadian TV stations have fought an uphill battle through the sixties to hold and retain Canadian audiences where there is significant U.S. competition. Their tactics have been many but the significant factors have been to pre-release popular U.S. programs, select only the most

popular U.S. and foreign product and ensure that their Canadian programming got fair scheduling. This strategy has paid off. (Although we are already witnessing a slight withdrawal from this winning position, this may be a function of programming but more likely a function of increasing penetration of Cable TV.) Let us examine the situation in Toronto.

TABLE III

Share of Prime Time Audience in Toronto Canadian vs. U.S. Stations, 1962-1970									
January	'62 %	'63 %	'64 %	'65 %	'66 %	'67 %	'68 %	'69 %	'70 %
Canadian	50	55	55	55	60	63	69	67	59
U.S.	50	45	45	45	40	37	31	33	41

Source: A.C. Nielsen

12. The cost of buying television has been increasing in relationship to other media. Here is some comparative data which illustrates this point:

TABLE IV

	<u>1960</u>	<u>1969</u>
TV Cost Index	100	160
# TV Households	100	148
Magazine Cost Index	100	99
Circulation	100	111
Roto Cost Index	100	119
Circulation	100	132

From these indices it is evident that television advertising costs have far outpaced available consumption. This is not true for example in

magazines or rotogravure. In those media available audience has increased at a greater rate than have ad costs. Advertisers have been prepared to accept some increases in the cost of television rather than relinquish the creative opportunities that the medium presents. This trend cannot be expected to continue indefinitely.

13. These are the data with which the Canadian advertiser and advertising agency work in coming to a judgment on an investment of advertising dollars in television. What judgment will the advertiser make in response to the implementation by Canadian stations and networks of the Commission's proposals? Here we come to the nub of our submission on the matter of Canadian content.

14. It is evident from our discussion with the broadcasters and from what the Commission has heard today that the replacement of relatively inexpensive syndicated foreign programming with original Canadian production will cost the broadcasters a substantial amount of money. There are presumably three potential sources of funds to absorb such increased costs:

- i. Application of broadcasters' profits
- ii. Public subsidy in the form of grants
- iii. Increased advertising revenues

We do not plan to discuss the first two alternatives, but naturally have comments on the third. We believe advertising revenues will increase only in proportion to increases in product sales, not in line with broadcasters' increased costs. TV's share of the advertising revenue will increase only in proportion to television's effectiveness and efficiency in relationship

to other media. If the effect of the Commission's proposals is to decrease its effectiveness and efficiency, TV advertising revenues will decline.

15. Canadian business is deeply involved in the fight against inflationary forces in the Canadian economy. It has responded positively to the Government's appeal for price restraint. It would be clearly inappropriate at this time to contemplate an increased cost of advertising. Obviously there are alternatives and it is perhaps well to review them briefly for the Commission.
16. First and foremost there are other media whose cost efficiency, as we have demonstrated in Table IV, is becoming increasingly attractive and competitive in relationship to television.
17. The Commission is already aware of the regional disparities in television revenues. As costs have increased, advertisers have been forced to consolidate their expenditure in major markets at the expense of smaller markets. It is estimated that presently more than 75% of TV advertising dollars are expended against stations in the top 15 markets in Canada. Less than 25% is available for stations in the balance of the country. Any further increases in costs can be expected to result in further polarization of dollars towards the major markets.
18. It is estimated that approximately 70% of the English speaking consumer goods market is able to receive U.S. television signals. The response to an increased cost of Canadian television advertising could well be an

increased reliance on these channels, possibly in combination with other media, to the exclusion of the Canadian channels.

SECTION B

Advertising Content

19. We now turn to the specific proposals of the Commission dealing with the manner and frequency with which advertising material may be included in programs. Our concern, as in the first part of our submission, is the effect of the implementation of these proposals on the effectiveness and efficiency of the television medium for advertising purposes.

20. The Commission is well aware that Canadian television is perhaps the most "commercialized" in the world. With up to twelve commercial minutes per hour, or by the Commission's count of up to twenty minutes of non-program material on some Canadian stations, it is a relief for the viewer to watch the restrained commercial environment of the U.S. border channel!

- This frequency of commercial interruption on Canadian channels - particularly the independent and CTV affiliate stations - is presumably the broadcasters' attempt to collect the revenues necessary to meet the Commission's present requirement for Canadian origination.

21. The cacophony of commercial messages is having a serious effect on attention levels. Day after recall (DAR) scores, which are a standard measurement of television efficiency, have been deteriorating at an alarming rate as the following table illustrates.

TABLE V

Comparative Day After Recall (DAR) Norms 1966/67/68 (Adcom Research Limited)			
Related Recall Scores	<u>1966</u>	<u>1967</u>	<u>1968</u>
0:60 second commercials	55	38	32
0:30 second commercials	45	30	25

This should be read as follows:-

"In 1966, 55% of those respondents interviewed could answer questions concerning related recall of 0:60 second commercials. However, 1968 only 32% could."

22. The advertiser must welcome any proposal for regulation designed to reduce the so-called "clutter" of television on the assumption that it will make his message more "visible". However, the present proposal to limit the number of commercial interruptions may not, from the advertisers' point of view, have that effect. The "clustering" of commercials in these breaks will result in maybe four or more separate messages back to back and a consequent lessening of effectiveness of each message. We anticipate this will be reflected in a further decline in the DAR scores, and therefore further evidence of television's declining efficiency as an advertising medium.
23. We understand the Commission's definition of program promotion and public service announcements as "interruptions" of program content along with commercial messages. In the case of program promotion, particularly on Canadian programs, the advertiser regards these as desirable and necessary in maintaining audience levels. If they are to be virtually eliminated, as the broadcasters suggest, the advertiser will suffer loss of audiences.

In the case of public service announcements, many advertising agencies provide their services at no charge to national and local charitable causes. As such, we foresee a declining opportunity for this important use of the medium since we presume broadcasters will be unwilling to contribute valuable prime time to these causes where it would entail a loss of revenue.

24. Concentration of advertising messages within the limited number of breaks permitted by the proposed regulations will require substantial restructuring of imported programs to eliminate "natural breaks" created at the time of production. "Live" imports such as The Ed Sullivan Show would either have to be exempted from the Commission's proposal or dropped from Canadian Network schedules.
25. The advertiser desiring to use "Specials" of either Canadian or foreign origin as a quality vehicle for single sponsorship would be particularly affected by the Commission's proposals on interruptions. With a maximum four breaks permitted per hour, the advertiser would be faced with the equally undesirable alternatives of either playing his commercials "back to back" in the interruptions, or limiting himself to only four of the seven minutes allowable to him by the Networks. In these circumstances, the TV Special, which has contributed so much to the quality of television, will become much less attractive to such an advertiser and therefore less available to the Networks who require sponsorship to schedule them.
26. The requirement of the proposals to separate advertising material from

the program content by three seconds of visual or sound material, or both, we describe as the "starburst" principle by reason of its British application. We submit that it is both undesirable and, in some instances, unworkable. It is undesirable because it is itself an interruptive element which experience tells us will aggravate the viewer. We believe the viewer is sufficiently sophisticated in his attitude towards commercials that he does not require this kind of "flagging".

It is unworkable in certain specific applications such as Hockey Night in Canada, or other professional sports on television where the viewer may already be resentful of the amount of time it is necessary to take away from the action to present the commercial message.

27. As advertisers we welcome the proposal of the Commission to permit limited commercial participation in news broadcasts. We are aware of the higher socio-economic quality of audiences to news and recognize that there are certain products and services which can be offered to these audiences who are normally considered the lighter viewing audiences. Unlike some of the proposals, we believe this one will serve to attract new revenues to television which have hitherto been traditionally placed in other media. We particularly welcome the Commission's implicit recognition that the hoary old myth of so-called sponsor interference is just that - a myth.

SUMMARY/RECOMMENDATIONS

A. In Relation to Television Programs

We re-affirm that Canadian advertisers can be expected to support whole-

heartedly Canadian programming that is popular with the Canadian public and which is sold to advertisers at reasonable cost.

In these times of inflationary pressure however, no responsible advertiser can be expected either to absorb increased advertising costs or accept loss of efficiency in his marketing operation.

We urge the Commission in its deliberation with broadcasters to ensure that its revised regulations foster the development of popular Canadian programming, at any rate, for those programs for which they expect advertising support.

B. In Relation to Commercial Formats

We support the objective of the Commission to eliminate clutter from television; however, we feel that the specific proposals of the Commission fail to achieve this objective and tend to reduce the advertising effectiveness of the medium. We feel this is particularly unfortunate at a time when encouragement of increased advertising support would appear helpful in furthering the Commission's other objective of increased Canadian content.

We recommend that a working partnership be established involving the Commission, the broadcasters, and the advertising industry to review the Commission's interest in this area and to explore solutions which would be satisfactory to all parties involved. We invite the Commission to use the machinery and resources of our ACA/ICA Joint Broadcasting Committee to this end.

We at ACA and ICA are vitally concerned with the issues at stake. We have seen over the past years the steady growth of television as an advertising medium. We believe it is important to Canada's economy that this growth be maintained and that the factors which have led to this growth be preserved. These factors are good audience delivery and realistic costs.

If we can be of further assistance to the Commission and/or broadcasters on any aspect of the subject, the Joint Broadcasting Committee of ACA and ICA is ready to help.

Respectfully submitted,

Association of Canadian Advertisers/
Institute of Canadian Advertising

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